

**August 1, 2005**

**Honorable Mayor, Members of the City Council, and  
Citizens of the City of Burien**

**Purpose of a financial plan.** Cities provide their residents with critical public services. Public safety, public health, transportation, economic well-being and quality of life require a long term vision and plan. Reliability is essential. Developing and maintaining key public assets such as parks, streets and other infrastructure require long-term plans and investments. For these reasons, each year we begin our financial planning with a multi-year review of our operating services and capital programs. In the context of the overview of our operating and capital plan, the Council can provide more direction on specific budget items for the following year. The financial plan allows us to think ahead and to be more resourceful. With a long range plan we are much more likely to attract available grant dollars and gain support for partnership funding whether public or private.

**Summary and Introduction to the 2006 - 2011 Financial Plan.** Burien's agenda is even more ambitious looking ahead at 2006 through 2011. These are the critical years when First Ave S. will be reconstructed and the Town Square will be developed with the city contributing \$30 million of public improvements exclusive of the Library's investment. While we make these major investments, we must maintain stable operating services and maintain the assets we currently own. We are also considering the impact of a change in governance in North Highline. We know from our initial study in 2004, no matter what choice is made, Burien's cost of business and service levels will be impacted. The enclosed six-year *2006-2011 Financial Plan & Capital Improvement Program* is an update to the plan adopted by the City Council in August 2004. The plan is developed within the framework of the City Council's Adopted Financial Management Policies.

The plan projects a stable level of operating services over the next six years for the City's General Government, Street, and Surface Water Management programs. No new operating income is forecast from the new development on Town Square. When we have a better sense of the timing for the private development, we will include those revenues. However, our initial expectation is that new operating revenues will be needed to maintain the public square and provide adequate security. The 2006 - 2011 adopted financial plan maintains existing operating services with minor adjustments in the general fund for new operating costs. The financial plan proposes to spend \$16.4 million for operating services in 2006 and finance \$91.7 million of capital improvements between 2006 and 2011. The capital

investment has gone up over 50% since last year with the addition of the city's costs for Town Square and the expanded budget for First Ave S. which now includes all of the related utility improvements.

**Operating budget issues.** From incorporation in 1993 to 2000, the City's sales tax revenues in the general fund have grown between 3% and 10% per year. However, it declined slightly between 2001 and 2003. By 2004 we saw an increase of 3.2% plus another 2.4% of one time revenue as a result of school district construction. We are basing the 2005 forecast on sales tax revenue growth of 5% above 2004. This is based on first quarter 2005 sales tax revenue increase of 7.5% over 2004. We use a 3.5% growth assumption in the years 2006 through 2011. We have consulted with regional economists and feel these are prudent numbers to use. The economic downturn impacting the entire state and Puget Sound area has turned around. Finally, the 1% cap on property tax seriously limits the growth of revenues needed to keep pace with expenses.

On the expense side, we have continued to limit growth in personnel. Staff costs, whether on our own payroll or on contracts with King County, drive all other expense categories. While inflation remains low and salary increases remain modest, health benefit costs have been very volatile in the past few years. As a result of Council discussion, we have added a placeholder to the forecast of an additional \$60,000 for either contract or staff support for grants. As we study the Council's discussion of this topic, we will make some additional proposals to refine the focus and expectation of having added grant staff support. In addition, we have provided for budget adjustments to maintain new street and parks improvements.

**Capital Funding Issues.** The 2005 legislative session provided some modest partial transportation replacement income to backfill the losses from the recent tax initiatives. With the level of capital investments in the six-year Capital Improvement Plan (CIP), we have the following funded and unfunded projects:

	<u>Funded</u>	<u>Unfunded</u>
Parks and General Government Projects	\$26.8 million	\$10.8 million
Town Square Projects	23.8 million	--
Transportation Projects	14.6 million	9.6 million
Surface Water Management Projects	3.3 million	11.5 million
Total 2006-2011 Capital Projects	<u>\$68.5 million</u>	<u>\$31.9 million</u>

As we further refine our capital planning for the SWM program and integrate the basin planning projects into the SWM CIP, we will find added grant resources and partners to include in the funding for many of these projects to implement our basin plans. The capital program is not fully updated on the Surface Water fund and won't be until adoption of the Salmon and Miller/Walker Creek Basin Plans. Nonetheless, we are implementing one of the most critical priorities of the Miller Creek Basin Plan with drainage and detention facility improvements from

downtown to the Ambaum Regional Detention Pond. The timing of the First Ave S. improvements make it essential that we deal with this drainage issue ahead of the rest. We are also planning to implement new improvements in parks and transportation to implement the Paths, Trails and Bicycle Plan adopted last year by the Council.

**Key Policy Choices for 2006 and beyond.** The 2006 - 2011 Adopted Financial Plan contains several policy issues that the City Council considered. Some of the issues reviewed include:

1. Do the revenue growth assumptions appear prudent in light of projected economic conditions?
2. Do we provide sufficient resources to fund growth in costs of current services?
3. As we complete new capital improvements, are we adding necessary operating costs to maintain these assets?
4. Have current service capacity problems been sufficiently addressed? Every department and operating program in the City is stretched, trying to provide reliable quality services to the community.
5. Are there any service improvements or reductions the Council would like to consider?
6. Does the Council agree with the proposed sources of financing major capital improvements planned over the next six years? Some of these proposals included: Should the Town Square be financed with Councilmanic bonds? Should the Senior/Community Center be funded with banked property tax authority?

I want to express appreciation to the department directors, and especially the Finance Department's staff for meeting the challenge of creating the Financial Plan update. In preparing the Capital Improvement Plan, City staff have thoroughly reviewed each project and attempted to provide known details on assumptions, risks and other factors in developing project estimates. Inflation has been factored into project estimates. It is very important to note, though, that most of the projects have not undergone even the first phase of design and that, until the project scope is developed, estimates are still preliminary.

Respectfully submitted,

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City Manager